GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1625
ANSWERED ON:10.03.2017
Amendments in Chit Fund Act
Azad Shri Kirti (JHA)

Will the Minister of FINANCE be pleased to state:

(a) the details of the fraudulent schemes run by some firms in various States;

(b) whether some of these schemes have cheated small investors and if so, the details thereof;

(c) whether the Government proposes to amend the Chit Fund Act to provide security to small investors; and

(d) if so, the details thereof and if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) and (b): The Government has received various complaints regarding cheating of small investors, particularly by the companies involved in Ponzi / Chit Fund / Multi Level Marketing activities in different states in the country. Based on the complaints received, the Ministry of Corporate Affairs has ordered investigation through Serious Fraud Investigation Office (SFIO) into the affairs of 185 such companies during the last three years and the current year (till date).

State Level Coordination Committee (SLCC) is the joint forum formed in all States to facilitate information sharing among the Regulators and Enforcement Agencies of the State with the objective to control the incidents of unauthorized acceptance of deposits by unscrupulous entities. SLCCs were reconstituted in May, 2014 with renewed focus on unauthorized collection of money by unscrupulous entities. RBI has indicated that there are total 486 cases pertaining to unauthorized collection of money by entities in various States /Union Territories discussed in such SLCC / Sub Committee meetings. Further, the Enforcement Directorate has informed that it is investigating 19 number of Ponzi Schemes and Chit Fund related cases under the Prevention of Money Laundering Act, 2002.

(c) and (d): The interests of participants in Chit Funds are protected under the Chit Funds Act 1982, under which Chit Funds have to be registered with and regulated by the respective State Registrars of Chits. On the other hand, Prize-chits/ money circulation schemes/ ponzi schemes are banned under the Prize Chits and Money Circulation Schemes (Banning) act, 1978, under which investigations are to be carried out by the State Police authorities. In order to protect the interest of small investors and depositors against illicit schemes. 24 States and 3 Union Territories (UTs) have enacted special laws called the Protection of Interest of Depositors' (In Financial Establishments) Acts, where by States/ UTs are empowered to take action.
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